

**STATEMENT OF NANCY DORN
DEPUTY DIRECTOR
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE
THE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON NATIONAL SECURITY, VETERANS AFFAIRS AND
INTERNATIONAL RELATIONS**

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Thank you, Mr. Chairman and members of the Subcommittee, for this opportunity to testify on behalf of Director Daniels and the Office of Management and Budget. The United States Government presence overseas is indispensable in projecting our values and protecting our interests. The US Government's presence overseas is also extensive, costly, and, as recent events remind us, at significant risk.

Currently, there are over 60,000 US Government employees, including 18,000 full-time and part-time direct-hire employees, personal service contractors and foreign nationals representing more than 35 government agencies in approximately 260 posts overseas. The cost of this presence is extremely high. For example, the average annual cost of having one full-time direct-hire American family overseas in a US embassy or mission is \$339,100. More importantly, thousands of US Government employees are at risk. The 1998 bombing attacks on our embassies in Nairobi and Dar es Salaam killed more than 220 people, including 12 US Government American employees and family members, and 40 Kenyan and Tanzanian US Government employees. In addition, they injured more than 4,000 Americans, Kenyans and Tanzanians.

These considerations put a premium on getting the right number of people doing the right jobs in the right places. The challenge is to create the incentives and procedures necessary to make that happen so our presence abroad is the right size.

The idea of rightsizing has been around for a while. GAO brought attention to this issue in the mid-1990's. Following the bombings in Nairobi and Dar es Salaam in 1998, the Overseas Presence Advisory Panel (OPAP) assessed America's overseas presence and developed recommendations to make that presence better managed and more effective. Among the recommendations was an interagency review process to determine the size, shape, and goals of United States presence overseas. Unfortunately, few, if any, of the recommendations from these reviews were ever implemented.

The Administration is committed to management improvements. Last August, OMB released the President's Management Agenda. Rightsizing America's presence abroad is one of the important projects on that agenda. We expect that the rightsizing initiative will be a long-term process. It will require significant consultation with all government agencies that have staff abroad. And, of course, the Administration will work closely with the Congress. We are working

cooperatively to move from recommendations to concrete steps that will have an impact on how resources are deployed overseas. The Administration is currently moving forward in four areas:

1. We are gathering information about America's presence. Remarkably, there has been no comprehensive or accurate data gathered which deal with the number and functions of staff working abroad.
2. OMB and the State Department are working to establish a regional "rightsized" presence in Frankfurt.
3. OMB and the State Department are undertaking a pilot rightsizing project in the Europe and Eurasia Bureau (EUR).
4. Finally, we are developing a proposal to establish a mechanism for equitably sharing the costs among all agencies of construction of new embassies.

We need to develop a process to make the overseas staffing process more transparent for all agencies. As an example, we found that the Centers for Disease Control and Prevention (CDC) at the Department of Health and Human Services (HHS) has developed a process for tracking and evaluating overseas posts and personnel that seems promising. Unlike other USG agencies, CDC does not establish permanent positions abroad. Rather, CDC assigns employees overseas on limited term appointments. As a result, all positions have a built-in "sunset date." Extension of a position and/or a position incumbent requires management review and a positive determination on both the effectiveness of the program and the individual. Reviews are conducted initially in the individual program office responsible for the overseas position. A determination to renew a position or extend its incumbent must also receive approval from the Director of CDC and the Office of Secretary of Health and Human Services before taking effect.

The average annual cost to the United States Government of an American official at a post ranges from post to post but can cost upwards of several hundred thousand dollars a year, not including salary. There is wide disparity among agencies as to what they report the cost of a new overseas position to be, ranging from the lowest of \$129,221 (USAID) to the highest of \$665,106 (US Secret Service). In addition, we are surveying existing authorities to place personnel overseas, to make sure that all agencies that have established overseas presence are in fact authorized to do so.

On a more practical level, we have been working with the State Department to assure that a proposed new regional center in Frankfurt, Germany is developed from the outset to serve USG country-specific and regional needs. This will act as a pilot for future rightsizing methodology. This facility, a former Department of Defense Hospital, known as Creekbed, with a capacity for more than 1200 personnel, is a secure facility with ample space for relocation of Rhein Mein tenants currently on the Rhein Mein AFB, which must be vacated by June 2005; it will allow current USG staff in Frankfurt to consolidate onto one campus; and it will allow US agencies to put in one central location appropriate administrative functions now being performed in several posts around Europe and even beyond. State and OMB have agreed to a series of steps that will analyze all current Frankfurt staff to determine which positions should remain in Frankfurt, and which positions could be moved back to the U.S., survey EUR posts to determine which positions could be regionalized to Frankfurt, and examine new approaches to functions that could be consolidated regionally, including law enforcement, vouchering, procurement, and information technology. In this exercise, we hope to take advantage of what GAO learned about positions at the Paris embassy that might be moved to a regional facility.

That examination leads directly into a more extensive pilot project on rightsizing to examine all posts within the Europe and Eurasia Bureau. That Bureau is the largest regional Bureau in the Department, with more than 5,000 employees, 49 embassies, 23 consulates, and 5 American Presence Posts (APPs). With the help of the methodology that GAO is developing and the cooperation of the State Department, including the revised Mission Performance Plans (MPPs), it will provide the pilot to consider how to conduct rightsizing on a larger scale.

Finally, we are also working with the State Department Overseas Buildings Office (OBO), to develop a cost sharing mechanism to finance the construction of new embassies. If properly developed, the requirement that agencies share embassy construction costs could be a powerful on-going incentive for agencies to rightsize their future presence at new posts. Under the current system, the State Department seeks an appropriation for the full amount to build a new embassy abroad. We are reviewing proposals that would share these costs among agencies. This will require each agency to determine at the outset whether the overseas presence is worth the capital investment. And with approximately 160 overseas facilities remaining to be made secure over at least the next 10 years, the capital contribution of any agency operating overseas is unquestionably significant.

Mr. Chairman, these are the steps OMB is taking in the near term to move forward on rightsizing. In addition, we are looking at ways to improve the '04 budget process to provide better data on existing and proposed new overseas positions. Working closely with the State Department, we are moving forward in a step-by-step and cooperative fashion, turning recommendations into tangible results and procedures that will lead to more a rational, cost effective, and more secure overseas presence.

Thank you very much.